

**The Corporate Community Investment Service
(CorCom)**

**Making Contact: Negotiating a
Partnership Between A**

**Business and A Non-profit
Organization**

A Report over a Seminar held on

April 28th, 1998, in Washington DC

This publication is made possible through support provided by the Office of Private and Voluntary Cooperation, Bureau of Humanitarian Response, U.S. Agency for International Development under the terms of purchase order FAO-0-00-98-00009-0. The opinions expressed herein are those of the authors and do not necessarily reflect the views of the U.S. Agency for International Development.

Introduction

The Corporate Community Investment Project (CorCom) has the mission of stimulating linkages between businesses and non-profit organizations to pursue mutual interests in sustainable development. The strategy of the project is to educate businesses about the advantages of non-profit partners, help non-profits become more business-like in their work, and to help make appropriate connections that can lead to partnerships.

As corporations move beyond philanthropy to community investment, they need non-profit partners who know the community and have skills in training, community organization, and knowledge of local customs and laws. Workers who have proper health care, child care, housing, and other services are more productive and dependable. This can cut the costs of production and help businesses avoid some of the risks inherent in working overseas.

Many businesses make charitable contributions to non-profit organizations but CorCom promotes activities that build on the resources of both partners. CorCom promotes partnerships that go beyond philanthropy to joint ventures that help both partners achieve their goals. Businesses reduce risk, increase profits, and expand their markets while nonprofits help provide jobs, health care, schooling, quality child care, and other services to those who work for the company or live in the community where factories and plants are located.

CorCom has a learning network of practitioners, both for-profit and non-profit, who meet periodically to share experiences, learn from each other, and help build new alliances and partnerships that are sustainable and meet the needs of all stakeholders.

In addition to the CorCom Network of practitioners, CorCom also sponsors seminars on specific issues that move beyond rhetoric about the value of partnerships into practical ideas for making a partnership work. This report is over one such seminar. The day-long seminar was held in Washington DC on April 28th, 1998. The speakers were David Logan from Corporate Citizenship Company in London and David Clark, Regional Director for Northwest England of Business in the Community. A biography of the speakers is included at the end of this report. The presentations were followed by comments from a panel of practitioners and the highlights of their remarks are included here.

Shirley Buzzard, a professional consultant to development organizations, started CorCom in 1996 with strong support from Martin Hewitt of USAID/BHR/PVC. They noted that there is no body of knowledge about how partnerships between business and non-profits actually work, or even why they fail. While there is considerable rhetoric coming from academics and donors about the advantages of partnerships, there is very little information about how to make the work, how to get started, what to avoid, and the ethical issues involved. CorCom was designed to fill that gap.

Valuing Your Services as a Non-Profit
by David Logan
Corporate Citizenship Company

The context for international corporate responsibility

There is a clear world-wide trend that the role of government is decreasing while the role of business is increasing. The current figures are that government expenditures currently provides 34 percent of GDP, a figure that is decreasing, while for-profit companies expenditure account for 60 percent of the GDP, a figure that is increasing. The non-profit community supplies about 6 percent of the GDP, a figure that is growing as government sheds responsibility. The USA tops the list of non-profit expenditures world-wide.

There are several reasons for this trend. First, under communism and other controlled economies, non-profits are suppressed as part of the government efforts to control people. Secondly, in most countries there was little wealth to distribute. Governments cannot distribute wealth until wealth is produced, which has not happened in most non-capitalist economies.

The need for the creation of capital has driven governments in the U.S. and UK to transfer resources to business and remove obstacles to business. Both Ronald Reagan and Margaret Thatcher broke unions and made business flourish, then they told businesses to make contributions to social programs from their profits. As a result of the decreased size of government, there has been much less to give to the non-profits. The shortfall has been made up in part by the private sector.

A second important trend that underlies the role of business is the increasing globalization of markets. Large business is driven by the global market, not the market of any particular country. They are creating global product loyalty so that the whole world knows about Levis, McDonalds, GAP, and certain product brand names. It is the global market that drives the economies of the developed countries.

Towards greater social responsibility

Two factors have contributed to a trend towards greater social responsibility on the part of businesses. First, the decline of workers unions means that business has fewer constraints on what it can do so that it can close factories or move them. With profits up, they have more money to invest in business or social programs. At the same time, membership in non-profits is up dramatically. It is the non-profits that force business to behave ethically. The take up causes such as child labor, the environment, and other issues and business must take notice of the publicity.

The Private Voluntary Organizations (PVOs) in the U.S. and non-governmental organizations overseas (NGOs) have considerable value to business. They have the power to damage business with activism and they have something business greatly envies, which is public trust. Businesses need the public trust to sell their products.

Businesses also have a stake in the community. Public welfare affects business. Crime, unemployment, and health problems affect potential customers and workers so that business has a stake in community economic and social development. It is in businesses interest to be socially responsible as many studies have shown. Local communities, the source of workers for factories and offices, are stakeholders along with the national and global communities.

Models of corporate citizenship

There is a new model of corporate citizenship. The old model, which I call the Carnegie Model is that good citizenship comes from corporate success. A person or family works hard, becomes wealthy, and is morally obliged to give some of the wealth back.

This is the model used by Ford and many other company foundations that give grants to charitable causes, the arts, and community programs, usually in the city or state where their business operates. This has been the model that has operated until about ten years ago. The problem with this model is that only about one percent of all businesses have a program of charitable giving.

The new model is community investment. In this model, it has been proven that businesses that invest in the community receive business benefits. A plant in rural Alabama that had difficulty finding engineers. They invested money in training local residents and saved money by not having to transfer engineers from another location or moving their plant. In Africa, factories and large farms have discovered that it is in their interest to provide workers with AIDS prevention services and reproductive health care. Workers are more productive, absenteeism is down, and morale is higher when a company takes an interest in the well-being of its workers.

Incentives for corporate citizenship

Corporate citizenship might be viewed as three models based on the motives for the work. The forms of the contributions are based on the motives.

1. Moral responsibility stems from a sense of compassion. From this motive stems charitable gifts, disaster relief, and matched employee giving programs.
2. Long-term self interest, the model that has captured the interest of U.S. business leads to community investment, support for education and training, crime prevention, and inner city regeneration.
3. Direct business benefits, the model that is growing most in developing countries leads to commercial initiatives that increase sales and reduce costs, community health programs, cause related marketing and other activities that directly benefit the business.

Business drives the partnership

The PVOs have an important role to play in the direct benefit model as they can link their constituents into businesses as suppliers or customers. By working with business, PVOs and NGOs can help poor people produce parts or services that can be contracted to business. Business can provide agricultural supplies, consumer goods, and health products that people in developing countries need. The PVO or NGO has to put in the time and resources to see the business solution to a problem and present it to the business in a way that makes good business sense.

Business can contribute cash, products from their inventory or scrap equipment to small producers. They can make loans for sub-contractors to purchase equipment. They can provide technical advice from managers, specialists, suppliers, and investors.

In return for their investment, businesses gain leverage, social impact, and business benefits. They gain access to new markets, publicity for their work, and most importantly, business is improved because of the partnership. It is important to remember that business benefits drive the business/NGO partnership.

The non-profit must understand the input-output model of business and present potential collaborations in such a way that business can clearly see the business advantage of the partnership.

Making Contact: First Meetings and Beyond
by David Clark,
Business in the Community

Business in the Community supports the social and economic regeneration of communities by increasing the quality and extent of corporate community investment. My role is to work with business to encourage them to make contributions to the community. I notice problems and approach a business about things they might do. Sometimes businesses come to me and ask what they can do.

Reasons for a business to be socially responsible

1. It builds the business through increased sales. Cause related marketing has been shown to increase sales and there are a number of ways of doing this. The grocery store, Tesco, gives computers to schools when the schools collect receipts and increased sales by three percent. Another supermarket gave musical instruments to schools. Other stores give a percentage of profits to buy books to schools. A suntan lotion gives a portion of its receipts for cancer research. Schools now have their own affinity credit cards.

2. It builds people. A company that is socially responsible can attract staff and retain them through increased morale. Commitment to a social cause can increase employee loyalty and it can link employees to the community through volunteer work and interaction with local community members.

3. It builds the company reputation. Corporations may make social investments to improve their reputation. British Nuclear Fuels, the eighth largest corporation makes large contributions to environmental causes to improve its reputation.

A company's motivation for investing in the community can be discovered by determining which department within the company handles community investment. If it's from the marketing department, it's to increase sales. If it's from the human resources department, it's for staff development and motivation and if it's from the public relations department, it's to build its reputation.

Mechanisms for community investment

There are five mechanisms by which a company can make a contribution to the community.

1. Profit: Companies may donate cash to a worthy cause. Non-profit partners may want more than cash so it may be important to discuss other contributions at the beginning of the relationship. The cause they choose to support may be something closely related to their business (such as cancer research money from a suntan lotion) or to activities located near their factories.

Or they may choose some unrelated cause such as the arts, programs for the handicapped or elderly. Be alert to the "Chairman's Wife Syndrome." Often charitable donations of cash or time are based on some topic of interest to the chairman's wife. If you want their money, engage her in your issue.

2. Power: Companies can have a great deal of power in a community or country. By engaging the most senior person in the company, they can get the attention of other business leaders and government officials. The support of a powerful business leader can be very valuable as they can open doors to other resources.

3. Product: Companies may be very generous with gifts in kind. Their products can be used in community activities or as contributions to nursing homes, day care centers, and other community services.

4. Premises: Companies may allow community groups to use their conference rooms, photocopy machines, offices and other facilities.

5. People: Companies increasingly encourage employees to be involved in social causes and may give them paid leave time to provide volunteer services. Businesses have excellent expertise in management and administration and can be a rich source of technical assistance for a non-profit.

At the beginning of a relationship, it may be worth reviewing what the business will contribute and making the contributions as broad as possible. Review the organizational chart with the CEO and discuss how the marketing department can help with an educational campaign, the human resources department can help with job training, and other departments can contribute some or all of the five mechanisms.

Companies sometimes resist the idea of letting employees use facilities or time on community service but I always tell them they are already doing it, they might as well institutionalize it and get credit for it. Employees are already using their time to make discrete phone calls in behalf of their churches and community groups, surreptitiously using the photocopy machine to print announcements and so on. Why not recognize and encourage something that improves morale and productivity?

Engaging the business

In a partnership, it is important to have an "influencer." This is a person who has influence on others and who uses that influence to help reach the CEO. In our case, the influencer is the Prince of Wales. When people get an invitation from him they turn up. He does not have to be there but his influence is felt.

The influencer might be a senior church official, a CEO, or someone else who is highly visible and willing to use his or her influence for social causes. The role of the influencer is to get you into meetings with CEOs and members of the board of directors.

Mechanisms for engaging the business

When you have a meeting with the CEO, there are some things that need to be done to engage the business.

1. Research: Read the annual report, know where they do business and whether they are doing well or poorly. Read the business sections of the paper and business magazines. Go to the meeting well informed about the business. They will be flattered to know that you are taking an interest in their work.

2. Reception: While you are in the reception room, take note of the environment. Collect brochures, talk with other visitors, and get to know the receptionist. From this information, you can learn about attitudes and changes that are underway.

3. Relationship: Talk with the CEO first about himself. Know some of his interests before you meet him and talk about sports or some hobby of his. Try to get to know him personally. Then talk about his business, asking informed questions. Finally, talk about the issue that interests you. Let him know that you have already given a lot of thought as to how a partnership with you will help his business.

It is very important to get to his heart. CEOs use their heads all day, they are pre-positioned to say no to most ideas. You need to appeal to the heart to get his or her attention, then move from attention to commitment with facts and information that appeal to the head.

4. Rejection prevention: In the conversation, find something that appeals to his business motivation. This may be his pride, his interest in teamwork, his interest in expanding into a new country, improving morale. Try to prevent rejection before it happens.

5. Results: Do not settle for a check. Go for marriage, a real long term commitment of the company, not a one night stand. Be prepared to tell him how you want the whole company to work with you and what he will get from it.

6. Reminder: Write a thank you note that summarizes what you discussed. Deliver on any promises you made to give him facts, figures, information or background information. Keep notes on what you learned so that if the partnership does not develop then, you can continue to keep in touch and perhaps it will develop later.

Find an influencer who can open doors for you and get you in to the first meeting with the CEO.

Know the motivation of the company you are approaching and be prepared to offer a partnership that can appeal to their marketing, operations, human relations, or public relations departments.

Know the mechanisms by which they can be involved and be prepared to suggest how they can use their power, profits, products, premises and people to work with you.

Know what you want from them and be prepared to show them how they will profit from the relationship.

Comments from the panel of practitioners

Daniel Killpack, Director of Corporate Relations, CARE

CARE does social assessments that show the impact of a business in a community. Care works in many of the same parts of the world as the large oil and gas companies and is beginning to work with them on some of the community issues they face.

Ros Tennyson, Director of Learning and Leadership Programmes, Prince of Wales Business Leaders Forum

The PWBLF brings together private and PVO sectors to develop partnerships. The process begins with an understanding of each sectors role. Each sector has to discover where it can add value to the others.

PWBLF has found that it is essential to have an intermediary to build a partnership. Partnerships are developed by negotiation so it is essential to be clear about the issues.

PWBLF organizes 'managed encounters' where private, public, and non-profit sectors find a common ground that allows people to work together.

The core principles of a successful partnership are:
Equity: all sectors have an equal role. This is not the same as equality as one may be much larger than another.
Transparency: openness is necessary to build trust.
Mutual benefit: the partnership must result in benefits for all stakeholders.

William Witting, Director of Agribusiness Volunteer Program, The Citizens Network for Foreign Affairs

The Citizens Network works closely with the multinational agribusiness suppliers in Russia and other emerging economies of the former Soviet Union. We help organize small farmers to enable them to make market links.

We have found that its very important to know the company you are approaching, do your research, and show that you are aware of their business objectives. We try to approach the business on their own terms and let them help define the project once we have engaged their interest.

Brenda Colatrella, Manager of Product Donations, Merck & Co.

I am work with the Mectizan distribution program which is a pill that, taken just once a year, can prevent onchocerciasis or river blindness, a terrible disease that is found mostly in Africa and Asia. Merck donates the medication and it is distributed through NGOs working in areas with a high incidence of the disease. People often ask why we give away so much of our product.

The benefits to Merck are
An enhanced corporate reputation
It gives name recognition to the product and company.
It builds alliances and relationships with key constituents such as MOH and international health organizations.

We look for the following in our partners:
The program must fit within Merck's strategic plan
There must be a mutual benefit for us and the partner
There must be a shared responsibility
The activity must have clear objectives and roles
Merck has to have the needed resources
The NGO partner must respect the corporate culture & environment
There must be mutual respect for each other's objectives

PVOs must remember that business is trying to be strategic in their giving which is to say we focus on the overlap between business needs and social needs. We often find it frustrating that PVOs don't understand business needs. Overall, we must make a profit as it is from the profit that we fund research that will address other diseases.

About the Speakers

David Logan is founding Director of the Corporate Citizenship company which provides in-house consulting on all aspects of corporate citizenship for international companies such as BP, Sun Microsystems, Rhone-Poulenc Rorer, G.T.E., NatWest Bank, and the Hitachi Foundation.

He founded Corporate Citizenship Company to provide research and consulting support to international companies and their services include issue analysis, management education, benchmarking studies and program development, implementation, and evaluation. Corporate Citizenship Company has offices in London and New York.

Mr. Logan has advised major retail companies such as The GAP and Marks & Spencer on social responsibility and he has helped many U.S. and European companies internationalize their community citizenship programs. Noted for his pioneering work in developing systems to monitor corporate responsibility issues across all company stakeholders world wide, he has set up systems to monitor and measure their progress.

A leader in the field of corporate social responsibility issues in the emerging markets of Africa, Asia, and Latin America, he has initiated projects that promote the mutual interests of the business and the wider society.

Mr. Logan is the author of several major studies of corporate responsibility including Global Corporate Citizenship - Rationale and Strategies published by the Hitachi Foundation. He has published several studies on issues like the impact of AIDS on business and how the lack of health care affects the productivity of women workers in industry.

Prior to establishing his own firm, he was Director of Special programs for Levi Strauss & Co. He is a graduate of London University with an M.A. in Philosophy and an Advanced Diploma in Education. He is Senior Visiting Fellow in Corporate Responsibility at the University of Manchester, School of Business and the City University Graduate School, New York.

David Clark is Regional Director for Northwest England for Business in the Community. Business in the Community is a Charitable Trust, a membership based organization whose members are the 400 largest businesses in the UK.

The President of Business in the Community is HRH The Prince of Wales who is very actively involved in programs to assist the social and economic regeneration of communities by increasing the quality and extent of corporate community investment of time, cash, products, skills, and other resources. Mr. Clark's role is to stimulate, broker, encourage, persuade, network, and if need be, to threaten, companies in his region to do more for their communities. He advises companies on what they might do and links businesses with local government and non-profit organizations. Special programs focus on education, social and economic development, the environment, and equal opportunities in race and gender.

Mr. Clark has a M.A. in Politics and Economics from Christ Church, Oxford University and worked for twenty years in retail management for Marks and Spencer before leaving to work with youth and the unemployed, which led to his current position with Business in the Community. He lives in Cheshire, England.